

Government Employees Health Association, Inc.

Meeting of the Board of Directors

25 May 1983

(2nd Meeting)

A regular meeting of the Government Employees Health Association, Inc. Board of Directors, was held on 25 May 1983 at 10:00 a.m. in Room 5E62 Headquarters. Those present were:



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The Chairman called the meeting to order and advised that the primary order of business would be discussion of the Association Benefit Plan's benefits and rates for the 1984 contract year. He then turned the meeting over to [ ] to lead the discussion.

[ ] began by stating that the information currently available on rates was essentially all bad news. Utilizing the attached charts, [ ] first reviewed statistics related to 1982 estimates and actual occurrences pointing out that the original estimate for 1983 on which rates and benefits were determined turned out to be decidedly rosier than reality. In place of a \$3.2 million surplus for 1983, current projections now are in the range of only \$45,000. Not only had higher than anticipated inflation wreaked havoc with the 1982 actual claims results but also utilization of ABP health care services had soared far beyond any actuarial expectations. In essence what the figures say is that we probably have the best coverage in the business with the consequent higher costs and utilization that go along with it.

[ ] then began addressing the outlook for 1984 beginning by saying that benefit and rate proposals must be submitted by 31 May 1983 with very limited data. Initial analysis of the information available indicates that with no benefit changes the net-to-carrier rate would have to increase by 35% which translates (based on an estimated government contribution of 10%) into a out-of-pocket increase for Self Only of 76% and Family increase of 66%. OPM has in general been made aware of the severity of the problem facing the GEHA board and has indicated a willingness to consider adjustments later than 31 May if the circumstances warrant it. Therefore, at a later discussion the Board may wish to consider options necessary to trim program benefits to cut down on out-of-pocket premium expenses.

The discussion then moved into cost containment areas. [ ] opined that there had been considerable discussion in other programs of enlisting policyholder involvement in verifying the legitimacy of billings. [ ] pointed that Mutal has a claim review process that we participate in to the extent cover allows and if we depended on policyholders without coinsurance they have little incentive to involve themselves in such an activity. [ ] suggested a sampling technique for a post audit, asking the policyholder to verify specific data on hospital bills. The Board concurred with this and [ ] stated that the possibility of conducting such audits would be reviewed. [ ] asked, "What does maintaining our program for cover reasons mean financially and does it lend itself to legislative release," in other words is the Agency paying enough. [ ] said we could look at the relationships again to see if the Agency should be picking up a greater part of reimbursement salaries, but with only about [ ] it might be difficult for the Agency to justify picking up the tab for many more salaries.

Discussions then ensued regarding the potential effect of the drastic price increase indicated in the underwriters' data. Concerns were raised that the cost might force employees to select other plans and that a large number of employees could not afford the coverage. The cost figures in the attached

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data were discussed and [ ] stated that one of the things we may need to reconsider is co-insurance be it in hospital or in-patient or raising our out-of-pocket catastrophic from \$1,000 to \$2,000 and such suggestions would be provided at the next meeting. [ ] asked if there was a specific action required for the board to take today and [ ] explained that authorization to proceed to OPM on the basis of underwriter's data was all that was required.

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This was so noted and the meeting adjourned at 10:55 a.m.



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Attachment



United States  
**Office of  
Personnel Management**

Washington, D.C. 20415

In Reply Refer To

Your Reference

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[Redacted]

President  
Government Employees Health  
Association  
P.O. Box 463  
Washington, D.C. 20044

MAR 31 1983

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[Redacted]

This is our call for benefit and rate proposals for your Federal Employees Health Benefits plan under the contract term beginning January 1, 1984.

Deadline Date

We must receive your benefit and rate proposals no later than May 31, 1983, in accordance with proposed rules published in the Federal Register on February 22, 1983. In the event the proposed rules are promulgated in final form with a different deadline, we will then provide additional instructions to you. Specific instructions about rate submissions are attached.

We will not consider any proposals received after the deadline date. We want to complete negotiations by August 31, 1983. OPM intends to hold an Open Season November 14 through December 9, 1983.

Benefit Changes

In line with our commitment to stabilize the FEHB Program and reduce Program costs, we indicated in last year's call letter our intent to carry over 1983 benefits into 1984. This policy remains in effect. We will only consider proposals for benefit modifications which would enhance the cost containment features of a plan and result in savings or reduced utilization trends. (Note: OPM does not wish to consider: (1) changes which would reduce benefits for the treatment of nervous and mental conditions, or (2) coverage for abortions except when the life of the mother would be endangered if the fetus were brought to term.)

Proposals for benefit modifications should be precisely described and supported by your best estimate of their impact on premium rates. Only changes that are supported by actuarial justification can be considered.

As previously indicated, we will only print addenda to current brochures for the 1984 contract year. For this reason, carriers who wish to modify benefits in 1984 should take care that those changes are not so extensive that they cannot be clearly described on a single addendum page. Please submit proposed addendum page language with any proposals for benefit modifications. Revised enrollment booklets, including a new comparison chart, will be issued.

Cost Containment

OPM is firmly committed to the need to control spending under the Federal Employees Health Benefits Program. Please submit a report of your current cost containment efforts, either with your proposal letter itself or no later than June 30, 1983.

Disclosure Policy Under Freedom of Information

Any information included in your proposal letter may be subject to public disclosure after negotiations with all carriers are completed and new contracts are announced. Please identify each item in your letter that you believe is exempt from disclosure under the Freedom of Information Act. Also specify which exemption you believe applies to that item and give full justification for your belief that the exemption applies.

We will decide on disclosure only when a request for information is made. In making our decision, we will consider the justification for non-disclosure submitted with your proposal letters. If we decide that any specific item of information contained in your proposals, that you believe is exempt, is not exempt from disclosure, we will so inform you before it is disclosed.

Sincerely,



Kevin J. Burns, Assistant Director  
for Insurance Programs

Attachments

cc:

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